

THE IMPACT OF THE BUDGETING
CRITERIA OF ECONOMIC OPPORTUNITY ATLANTA
ON ITS DRUG RECOVERY PROGRAM

A THESIS
SUBMITTED TO THE FACULTY OF ATLANTA
UNIVERSITY IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF PUBLIC
ADMINISTRATION

BY
DOMINIC EDET ASUQUO
DEPARTMENT OF PUBLIC ADMINISTRATION

ATLANTA, GEORGIA

MAY 1977

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ABSTRACT

Department of Public Administration

B. A., Morehouse College
Economics

Asuquo, Dominic E.

Topic: The Impact of the Budgeting Criteria of Economic
 Opportunity Atlanta on Its Drug Recovery Program

Advisor: Shannon W. M. Jones, III
Thesis Date: May, 1977
Degree Conferred: May, 1977

This study was undertaken to examine the impact of the budgeting criteria of EOA on the operation of its Drug Recovery Program. The problem is centered around the centralization policy of EOA budgeting procedure. Each chapter of the paper discusses a specific problem area resulting from the EOA budgeting criteria, namely, (1) the background of EOA and its Drug Recovery Program, (2) the budgeting process of EOA Drug Recovery Program, (3) the budgeting criteria, (4) the effect of the EOA budgeting criteria.

Recommendations for solution of the problems encountered by the Drug Recovery Program are suggested with supporting facts from related literature.

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CHAPTER I

INTRODUCTION

In the most literal sense, a budget is a document, containing words and figures, which proposes expenditures for certain items and purposes. The budget has become one of the most significant tools for controlling modern organizations or programs both in public and private agencies. The budget is intended to be an effective means of organizational control. Its guidelines and procedures are established by the sponsoring agency, and should be flexible in order to allow for future changes.

Having an understanding of the impact budgeting criteria have on the organization or program, this paper will address the "Impact of Budgeting Criteria of Economic Opportunity Atlanta, Inc. (EOA), on its Drug Recovery Program."

CHAPTER 2

The Background of Economic Opportunity Atlanta and Its Drug Recovery Program

Organizations or programs which are dependent on the parent organization always run into problems of self determination, because they cannot make many decisions on their own. Decision-making is highly centralized within the parent organization. Moreover, the program follows the laid down rules and policies of the parent organization. These rules and policies would apply to every aspect of the program or organization, especially the budgeting criteria or policy. These programs would often find it difficult, either to contract or expand, simply because they are controlled by certain forces of which they have no alternative. Their revenues and expenditures are determined by the parent organization. Expansion and contraction of the program also depends on the parent organization because, more or less, the parent organization has direct and legitimate supervisory power over the organizations and programs they have established. It is a living truth that the parent organizations have their own reasons for initiating a component organization or program. They may establish component programs or organizations to carry out the functions of the programs or organizations they wish to operate, and may act as middlemen or coordinator for these programs.

The authorization of the federal funds came under the Comprehensive Drug Abuse Prevention and Control Act of 1970, Title I, Public Law 91-513.¹

¹Catalog of Federal Domestic Assistance Executive Office of the President, OMB, Washington, D. C., 20503, 1973. P. 140.

The objective of the federal government was to reach, treat and rehabilitate narcotic addicts, drug abusers, and drug dependent persons through a wide range of community-based services in order to restore them to health as useful members of society. The type of assistance given by the federal government is Project Grants. These grants include: construction grants, staffing grants, drug abuse service projects, drug abuse education projects, and initiation and development grants, as authorized by sections 251, 253, 256, and 261 respectively, of the community Mental Health Centers.² State matching funds are provided by the Department of Human Resources, local matching funds are contributed by EOA and in-kind contributions are provided by the public. These funding sources pull their resources together, through EOA, to see that the objective of the federal government regarding the Drug Recovery Program is achieved.

The willingness of private citizens, federal, state, and local governments to support the program is significant for the importance of this program. For this reason, the program should work up to the expected standard by achieving the objectives for which it was established.³

It could be added that the EOA Drug Recovery Program is a community-based drug treatment network which provides a comprehensive approach to heroin addiction and polydrug abuse and addiction. The program began operation July 1, 1971. The Program is a comprehensive treatment program which provides a variety of approaches to drug abuse in poverty communities by prevention, treatment and rehabilitation. Service and treatment alternatives

²Ibid. P. 140.

³Economic Opportunity Atlanta Drug Recovery Program, Policy and Procedures Manual, P. 5.

are provided to drug users/addicts and their families on an out-patient basis as well as in residential settings. Program emphasis also focus on increased involvement in outreach activities. The program's service delivery network became fully operational in 1973. Since then, it has evolved into a comprehensive treatment program which seeks to provide an integrated services approach to drug abuse prevention as well as the prevention of other psychological and social disorders. Program emphasis is on the expansion of the outreach system through use of the Neighborhood Service Centers and other support programs of EOA. Outreach is the "client recruiting" element of the Drug Recovery Program.

During the fall of 1973, the problem of polydrug abuse/addiction, especially volatile substance abuse, became acute and appeared to be reaching epidemic proportions in some communities within the metropolitan area. Program planning and the revision of treatment protocol to work with the polydrug abuser was formulated and implemented to cope with this problem, in addition to the adult addict.

Northwest Perry Drug Counseling Center, located at 864 Hollywood Road, N.W., is an out-patient drug care facility providing methadone maintenance, detoxification, counseling, and other auxiliary services.

Exit House, located at 112 Rogers Street, N.E., is a drug-free residential therapeutic community offering withdrawing addicts a place to live while undergoing individual and group counseling and related auxiliary services.⁴

This background information will enable me to review and determine the nature of budgeting criteria or policy for the program, by exploring the existing impact the budgeting criteria has on the program.

⁴Ibid., PP. 1, 2.

CHAPTER 3

Discussion of the Entire Budgeting Process of EOA Drug Recovery Program

EOA is the sponsoring agency for its Drug Recovery Program, therefore, it sets the budgeting guidelines and criteria for its Drug Recovery Program. These budgeting guidelines and criteria are first of all negotiated between EOA and the funding sources of the Drug Program, of which both parties must mutually agree before the contract is signed. When the contract is signed EOA then advises the Director of the Drug Program to follow the guidelines and criteria set by EOA for its various programs in preparing the budget. The Drug Program Director would be advised to write out a proposal for the budget year which will include all the proposed expenditures based on the available funds.

Budget Development

The Director of the Drug Program has a working knowledge of how much revenue would be available, in each budget year, from which appropriations may be made. EOA then assigns different budget numbers for every program such as 52-54 for each budget year. This budget number would help to facilitate recording of expenditures in EOA's Finance Department and accounting system because of the complexity of the organization and its centralized budgeting system. Then, the Drug Program Director would advise the treatment center managers to prepare lists of what they would need and the estimated cost. The Director would at the same time, let the managers know how much funds are appropriated for their respective centers and this would help in their estimation. In cases where the estimated cost of supply is hard to determine, the managers or the director would look for technical

assistance from experts and the suppliers in order to have a true picture of the future expenditures. When the managers complete the draft budgets they are turned over to the director for review and further development of the budget. She invites managers for budget hearings before submission to EOA administration for further review. She assigns code numbers to different line items in the budget. At this point the program director would have a final discussion of the budget with her managers. She would then discuss the entire budget with EOA administration, who would give authorization for expenditures to be made.

Budgeting Criteria

As already discussed EOA sets certain criteria for its drug program to follow in budget development. The expenditure is broken down into treatment center by treatment center irrespective of the fact that all the centers have one unified budget and center number. The budget is analyzed monthly, assuming that the expenditure for the last ten months of the year would be the same as the average expenditures for the first two months of the budget year, therefore, the average expenditure for the first two months of the year would be multiplied by ten to obtain projected figures for the entire year. While required budget forms vary with funding sources, categories follow standard line itemization as exhibited on OEO forms 25, and 25a. All programs of EOA funded by Community Services Administration are required to use these standard forms. The expenditure reports are to be submitted monthly. All expenditures reported for reimbursement should be in accordance with the program budget. No expenditures for costs in excess of budgeted amounts, would be reimbursed. Expenditures shall be reported in

the specific language of the budget. Costs reported in other than the specific budget language will be considered not applicable. In the case of Title XX funds matched by local "Donor" funds, no reimbursement will be made unless the Department is in possession of local donor funds sufficient for the reimbursement. The program is required to maintain auditable accounting records to document that reported expenditures are made in accordance with the approved budget, and that expenditures are made in accordance with the cost allocation plan. Budget revisions are also necessary when actual program costs vary from budgeted (projected) costs. In most cases efficient program planning and monitoring should foresee variance in advance of its occurrence. Budget Revision Requests should be submitted to the appropriate quarter.⁵ The budget should be viable for the project; it should neither be padded nor understated. A budget should be developed realistically with enough flexibility to permit some negotiations. "It should be indicated if funds are requested from more than one source or if projects need more funding than is being requested from one source."⁶ In order to ensure that the Drug Program has met with the budgeting guidelines and criteria set forth, EOA has established a centralized finance department to monitor its programs by reporting all current revenues and expenditures of each program within the agency. In view of this, the finance department has established a systematic method of financial control and report of revenues and expenditures of the Drug Recovery Program as well as other EOA programs.

⁵EOA Fiscal Requirements Bulletin, PP. 39-41.

⁶Procedures for Staffing and Processing Proposals and Grant Applications, EOA Planning Department, November 1973, P. 9-11.

Financial Control of EOA Drug Recovery Program

The EOA Centralized Finance Department has control over the revenue and expenditure of its Drug Program, by itemizing every expense or cost incurred during the budget year. Line items are broken down for the total funds awarded for that year to mechanize the accounting system. From the system, a printout, called the "Budget Status Report" (BSR) is produced on a monthly basis. This report (BSR) reflects the budget by line item, the expenditure for the month and cumulative expenditure to date. The monthly average of costs incurred over the twelve month budget period cannot exceed a prorata (1/12) of the total budget and every effort is made to ensure that expenditures do not exceed this average or obviously an over-expended condition will result. With the information provided by BSR as budget is compared to expenditures, the finance department would be able to project year end expenditure totals by extending average monthly costs incurred to the end of the budget year. If at any point, the projected average monthly expenditure shows a year-end deficit, an analysis of expenditures by line item is done to detect the problem area and necessary adjustment in the spending pattern is made in order to bring spending back into the limitation of the budget.⁷

Up to this moment and with the information on budget control and report, we are aware of the entire budgeting process of the EOA Drug Recovery Program. Therefore, at this point in time, we can determine the impact which EOA budgeting criteria have on its Drug Program. The next chapter addresses itself to this issue by stating the impact and its analysis.

⁷ Interview with the EOA Director of Finance.

CHAPTER 4

The Effect of the Budgeting Criteria on the Drug Recovery Program

The centralization of budgeting process has several impacts on the smooth operation of the Drug Program. Budgets once submitted by the Program Director, would remain in the EOA finance office and all the expenditures incurred would be accounted for by the same office. The Program Director would only know the position of the budget through monthly print-outs called Budget Status Report (BSR), which indicates the Center Number, Account Number, Encumbered and Unencumbered.⁸

The print-out reflects the actual bills paid without the purchase. For the Program Director to know exactly what was purchased, the actual cost per center of the program, she can find out from the EOA Procurement office, in addition to records in the Finance Department. One could imagine the problem she would have in verifying all the expenditures for the budget year in like manner. All the time would be spent in monitoring the expenditures at the expense of other administrative activities. The Program Director has been denied the authority to handle the personnel budget such as salary increases, which would give her more power or influence over her personnel. In this way the personnel may tend to look at her as a figure-head of the program, who has little or no authority over them.

In most cases erroneous coding and charges occur. Expenditures incurred in one program would be charged to another program. Sometimes the expenditure would be charged to another budget code number of the program because they are not familiar with the code numbers. These minor, but serious

⁸Budget Status Report, 1976.

problems would create a significant impact on the balancing of the budget. If the previous year's budget is not broken down center by center and itemized by lines, the director of the program will be required to resubmit the budget in conformity with the requirement. This is done because the funding sources demand to know how much was expended for each center and each item. Under this requirement the drug program staff is expected to make these adjustments without providing additional staff. Under these circumstances staff is hampered in its regular administrative responsibilities.

Moreover, there is no guarantee that the monthly expenditure would be the same throughout the budget year. There might be some changes in the prices of commodities which might entail additional expenditures and there would be no reimbursement. The Standard OEO Forms 25 and 25a might not be suitable for all EOA programs as programs are not the same and supplies are different. There is no assurance also that the local "Donor" funds would be sufficient for the reimbursement, meaning that the insufficient part of the "Donor" funds would not be reimbursed.

EOA's centralized budgeting process is sometimes very tight. The itemization system would create little flexibility in the budget. The budget amount for each line item becomes a limited liability because you cannot easily transfer funds from one line item to another or one center to another, without the approval of EOA or the funding source. There would be no additional line item during the budget year no matter how necessary. The same is true of any expenditure or cost incurred after the budget year ends. It follows that there would be no additional or exchange of personnel, and no purchases would be made prior to the end of the budget year.

This would have an adverse effect on the program.

Moreover, there is no provision in the budget for recreational activities for the employees and no imprest account for minor and non-budget items. (Imprest account is maintaining a special cash fund for miscellaneous expenses). Recreational activity and the imprest accounts are essential in any program like this. If the employees are denied this opportunity, they would tend to look at the program with bad motives, thereby lowering their morale.

Without imprest accounts, on the other hand, the program director would find it difficult to know which line item would be contracted for non-line item expenditures essential to the program. In most public and private agencies there is a frequent need for the payment of relatively small amounts, such as to the vendor of a newspaper, or employees for purchase of urgently needed supplies at a nearby retail store. Payment by check in such cases would result in delay, annoyance, and excessive expense of maintaining the records.⁹ All of these problems and deficiencies in budgeting are the result of EOA and the funding source budgeting criteria on its Drug Recovery Program, which put the program in an unpleasant situation. Now, the question of how to overcome this impact, is the bone of contention in the next chapter.

⁹Niswonger, Rollin C. Accounting Principles, 10th ed., p. 284.

CHAPTER 5

Recommendation and Conclusion

Recommendation:

1) EOA should decentralize its budgeting procedure. I say this because all the problems center around its centralization of the budgeting process. Decentralization of the budgeting process would ensure the smooth operation of the program. Each program would determine which forms should be useful for its program in preparing the budget. In developing the budget, there should be more flexibility in the expenditure pattern, that would allow funds from one line item to be easily used in funding another line item. The same is true of funds from one center to another, being that all are the same program. These provisions would avoid funds lying idle in one line item and in one center, while other line items and centers are running short of funds. All expenditures and revenues should be reported by the Drug Program Director to the EOA finance office, instead of the finance office reporting to the Drug Program, because the Program Director is in charge of the Drug Program. This would avoid erroneous coding and charges of any kind. The Program Director would be able to monitor the expenditure of its program in an effective manner. If this were to be approved, a Drug Program finance office should be created, at minimum cost, either within the EOA finance office or in the Drug Program office. All purchases should be made by the Drug Program staff to ensure that all supplies are channeled to the appropriate centers and in time.

2) The monthly print-out or Budget Status Reports should reflect the actual

bills paid as well as the item purchased. Expenditures incurred after the budget year should be carried over and reimbursed in the next budget, 3) Any amount of the "Donor" funds should be reimbursed. Salaries incurred, which are not reflected in the budget, if found to be appropriate, should be paid. For this reason, there would be every need for supplementary funds to be provided at the end of each budget year to take care of the additional expenditures, in case funds run out completely. An imprest account for minor and non-budgeted items should be included in the budget. Funds for recreational activities for the employees should be provided in the budget as this would help to raise the morale of the employees. Some of these budgeting criteria are derived from other funding sources such as the Alcohol and Drug Section of the Drug Abuse Prevention and Control Act of 1970, Title I, Public Law 91-513. Therefore, EOA should be willing to permit certain flexibility in those instances where funding sources do not prohibit such flexibility, and in fact seem to encourage flexibility.

If the above recommendations are utilized, there is every likelihood that the Drug Program would take on a new shape in its budgeting process. I believe the recommendation would also ensure effectiveness in the operation of the program.

Conclusion

If the requests for funds are granted and if they are spent in accordance with recommendations, and if the actions involved lead to the desired consequences, then the purposes stated in the contract will be achieved. The budget thus becomes a link between financial resources and human behavior to accomplish policy objectives. In other words, the budget becomes a mechanism for making choices among alternative expenditures.

When the choices are coordinated so as to achieve desired goals, a budget may be called a plan. If emphasis is placed on achieving the most policy returns for a given sum of money, or on obtaining the desired objectives at the lowest cost, a budget may become an instrument for ensuring efficiency. If the total sum of money and its allocation among various activities is designed to have a favorable effect in support of the program's budgetary goals, the director of the program must be given a free hand in the administration of the budget.¹⁰ Therefore, judging from this research, the budgeting process of the Drug Recoery Program should be decentralized, and the director of the program should be vested with the power to operate and monitor the expenditures of the program to ensure efficiency. Moreover, "budgeting is a tool for controlling a program."¹¹ If the Program Director intends to control the program, she must first of all control the entire budgeting process of the program.

¹⁰Aaron Wildavsky, The Politics of the Budgetary Process: Little Brown and Company, Boston, 1964, P. 3.

¹¹Kazmier, Leonard J., Principles of Management: McGraw Hill Book Company, New York, 1974, P. 418.

APPENDIX

APPENDIX

Table I

EOA Drug Recovery Program - Chart of Accounts

<u>Budget Category</u>	<u>Code Number</u>
Consumable Supplies	701
Food	702
Educational Supplies	704
Gas/Oil	705
Reproduction & Printing	706
Medical Supplies	707
Out-of-Town Travel	501
In-Town Travel	502
Space Costs (Rent)	601
Utilities	611
Facilities Maintenance	621
Moving Expenses	632
Office Furniture & Equipment Rental	811
Program Equipment Purchase	813
Office Furnice/Equipment Purchase	815
Leased Vehicles	821
Telephone/Telegraph	901
Postage	902
Insurance & Bonding	903
Training Costs	905
Physical Examinations	908

APPENDIX

Table I

EOA Drug Recovery Program - Chart of Accounts
(Cont'd)

<u>Budget Category</u>	<u>Code Number</u>
Repairs to Equipment	911
Registration, Conferences & Meeting Expenses	920
Non-Federal Cash Expense (e.g., Urinalysis)	951
General Liability Insurance	912
Automobile Liability Insurance	913
Fire & Extended Coverage	914 ¹⁵

The above table shows a complete budget development for one budget year based on EOA budgeting criterion.

¹⁵EOA Drug Recovery Program Policy Manual

APPENDIX

Table 2

52-54 EOA Drugs

Grant "C"

Code Number	Description	Budgeted Amount
301	Staff Salaries	97,282
321	FICA Employer as Cost-Staff	21,399
412	Contract Employees	250
501	Travel - Out-of-Town	715
501	Travel - In-Town	360
601	Space Costs	11,281
611	Utilities	5,106
632	Moving Expenses	300
701	Consumable Supplies	1,400
702	Meals	9,360
704	Classroom Supplies	400
705	Gasoline	440
706	Reproduction & Printing	350
707	Medical Supplies	170
815	Office Furniture & Equipment	1,550
821	Leased Automobiles	2,420
901	Telephone & Telegraph	5,110
902	Postage	200
903	Insurance & Bonding	932
906	Program Support	9,228

APPENDIX

Table II (Cont'd)

Code Number	Description	Budgeted Amount
911	Repairs to Equipment	1,212
920	Registration, Conferences & Meetings	400
941	Miscellaneous Costs	-0-
952	Staff Salaries Non-Federal Cash	25,000
982	Consultants - In-Kind	4,745
986	Supplies - In-Kind	2,943
988	R/L/P - In-Kind	4,312
998	Other Miscellaneous In-Kind	2,144
	Non Federal Costs	39,144
	EOA Drugs	218,026 ¹⁶

The above table shows a complete budget development for one budget year based on EOA Budgeting criterion.

¹⁶EOA General Ledger for the Budget Year 1975/76, P. 208.

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